

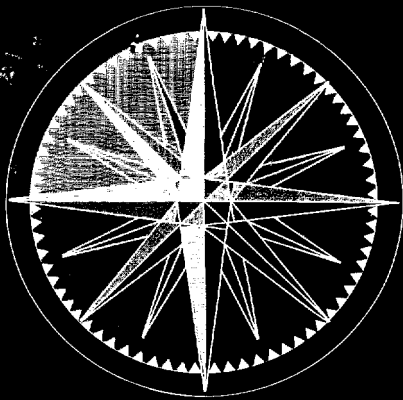
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12 March 1965

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WEEKLY SUMMARY

CENTRAL INTELLIGENCE AGENCY

OFFICE OF CURRENT INTELLIGENCE

State Dept. review completed

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ARMY review(s) completed.



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(Information as of 1200 EST, 11 March 1965)

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Political maneuvering continues in Saigon, and the Buddhists may be preparing to put the Quat government to a test. The Communists meanwhile are making steady gains in the coastal areas of northern and central South Vietnam, and over-all Viet Cong troop strength is rising. Pacification efforts in the I and II Corps have all but ceased. The II Corps commander expects Saigon to enter into negotiations eventually, but the public and private actions of both Hanoi and the Viet Cong belie repeated rumors of a desire on their part for peace talks. Yugoslavia's Tito nonetheless is trying to organize an appeal by nonaligned countries for a conference to seek a Vietnam settlement. Peiping still displays arrogant certainty of Communist victory and, with Hanoi and Moscow, has reiterated warnings of dangers inherent in escalation of the war.	
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Since no party won enough seats in the legislature to form a government, New Delhi will probably continue its direct rule until the 1967 general elections.	

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- AUSTRIAN PRESIDENTIAL ELECTION MAY STRAIN COALITION** 18
 The election was called to replace deceased President Schaerf, whose fellow Socialist, Vienna Mayor Franz Jonas, is favored to defeat the People's Party's Alfons Gorbach. Animosity between the two coalition parties has increased over the past ten years.
- NATO INFRASTRUCTURE NEGOTIATIONS** 19
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- EXECUTIVES OF THE THREE EUROPEAN COMMUNITIES MERGED** 20
 While officials in all the EEC capitals are stressing the political and psychological significance of this move in furthering integration, the merger agreement is more an important first step than a definitive re-organization.
- TEMPORARY TRUCE AMONG ITALIAN COALITION PARTIES** 21
 The undeclared cabinet crisis which had immobilized the government since the December presidential election has been resolved, but the Christian Democrats remain badly split among themselves over basic policies and have yet to achieve agreement with their coalition partners on several important issues.

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SECRETWESTERN HEMISPHEREPage**RECENT ACTIVITIES OF LATIN AMERICAN COMMUNISTS****22**

They appear to be trying to implement measures agreed on at a highly secret meeting in Havana last November. Their main purposes seem to be to achieve greater coordination and unity, to give new impetus to Communist activity in the hemisphere, and to promote "solidarity with Cuba."

UNREST IN HONDURAS**23**

Political and military unrest is mounting with the approach of the convening date (16 March) for a constituent assembly at which the regime seems intent on seeking rapid action to name Chief of Government Lopez "constitutional president" for a regular six-year term.

CHRISTIAN DEMOCRATS SWEEP CONGRESSIONAL ELECTIONS IN CHILE**24**

Despite his party's unprecedented majority in the Chamber of Deputies, President Frei may find enactment of his reform program impeded by factionalism within the party and the inexperience of many of its newly elected legislators. Moreover, the rightist-centrist losses which benefited the Christian Democrats also helped the Socialist-Communist coalition, which remains a major political force.

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THE VIETNAM SITUATION

Bloc response to the Vietnamese crisis continues to center on political action. Moscow, Hanoi, and Peiping have reiterated their warnings of the dangers inherent in escalation of the war. At the same time, Peiping and Hanoi stress the Viet Cong's growing strength and expanded control in South Vietnam which they apparently believe is seriously undercutting US efforts to pressure Hanoi into terminating its material support of the Communist insurgents in the South.

Viet Cong Military Action

The Communists are continuing to make steady and significant gains in the coastal areas of the northern and central provinces of South Vietnam. Government forces in some rural areas north of Saigon are abandoning their areas to the Viet Cong and withdrawing into district and provincial capitals. General Nguyen Huu Co, the commander of the South Vietnamese II Corps area, recently told US officials that he is considering a general retrenchment and consolidation of counterinsurgency efforts in his area in the expectation of eventual negotiations on ending the war.

Co stated that although he personally did not favor neu-

tralism, he expected his government to enter into negotiations eventually, possibly this year. Co has recommended that because its capital is threatened, the province of Binh Tuy be dissolved "so that the Viet Cong will be unable to claim that they have captured a provincial capital."

The Viet Cong's strengthened posture in the northern and central provinces is due in large part to the steady growth of their military force. General Co claimed that eight new, heavily armed Viet Cong battalions had recently appeared in his area.

Over-all Viet Cong troop strength throughout the country also continues to rise. Recent analysis of Viet Cong prisoner reports and captured documents has resulted in an upward readjustment of COMUS MACV's order-of-battle holdings for Viet Cong regular forces. The new estimate puts total Viet Cong main force strength at 37,270, with five regimental headquarters, 50 battalions, and 145 separate companies.

Pacification Program Stalled

In the I and II Corps, the pacification programs designed

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to eliminate the Viet Cong from a planned sector and bring it under firm government control have all but ceased. In the rest of the country only a few widely scattered areas report advances in the program. It is anticipated by the US authorities in Saigon that the role of the US aid mission officers in the I Corps area, and probably in parts of the II Corps as well, now will change from assisting in pacification to refugee relief.

The flow into refugee centers in I Corps has increased markedly. In the 2nd Division area alone refugees total some 73,000. The influx is a reflection of the extensive territorial gains being scored by the Communists in northern and central Vietnam.

South Vietnamese Political Developments

In Saigon, political maneuvering continues among the various parties and military factions. Although Premier Quat is showing interest in programs to increase government effectiveness in Saigon and in the provinces, he has observed that much of his time and energy is taken up by the political intrigues of the military and the problem of relations among the Catholics and Buddhists. Quat is evidently considering ways to bring the generals, at least, under government control although such a course runs the risk of provoking countermoves against his government.

There are indications in recent Buddhist requests for satisfaction on past grievances that the Buddhists may be preparing to put the Quat government to a test. Buddhist leader Tam Chou now has publicly disavowed the peace movement headed by monk Quang Lien, which the senior ranking monks agree invites Communist exploitation, but there is no real sign that the Buddhist leadership is abandoning its interest in the theme of peace itself.

Possibility of Negotiations

both the public and private actions of Hanoi and the Viet Cong continue to suggest that they intend for the present to keep up a heavy pace of military action in South Vietnam and currently have no interest in international discussions on a settlement of insurgency.

The Viet Cong Liberation Front in a broadcast on 8 March flatly rejected the notion that

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the US can successfully exert military pressure to gain a strong position "in the final round" for a political solution in South Vietnam. The broadcast described the landing of US marines as a "planned" expansion of the war but "no threat to the heroic Vietnamese people." The presence of the marines, according to the Front, will merely "increase the resentment of all the Vietnamese people and intensify their will to unite and knock them out." A Front spokesman, at a press conference in Peiping on 8 March, ruled out any negotiations "so long as there is one single shadow of US imperialism in Vietnam."

Hanoi gave implicit support to this stand by broadcasting on 10 March a statement by the Front's central committee reiterating that the situation can stabilize only when the US has been "driven out of Vietnamese territory," a national democratic coalition government formed, and the "stooge" government in Saigon abolished. The statement called on the "people and the Liberation Army" to continue to "deal deadly blows at the US aggressors" in South Vietnam.

The only public statement by a high-ranking North Vietnamese official on the subject of negotiations since the air strikes began was contained in Defense Minister Giap's reply to a question on this subject by a Japanese television dele-

gation. The interview was published by Hanoi on 10 March. Giap stated that the "only way out" for the US lies in the withdrawal of US forces from South Vietnam and the cessation of attacks on North Vietnam.

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Yugoslavia's President Tito is trying to organize a joint appeal by the nonaligned countries for an immediate international conference to seek a peaceful settlement of the Vietnam situation. He undoubtedly hopes, by taking the initiative in convening a conference on such an important international problem as Vietnam, to bolster the lagging international influence of the nonaligned nations as well as his own leading position among them.

Peiping's Response

Recent Chinese Communist statements continue to display arrogant certainty of Communist victory in South Vietnam. According to a 4 March Peiping commentary, the US now faces a choice between ultimate military defeat and unconditional withdrawal.

While Peiping's latest propaganda statements reiterate

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standard formulations on US "aggression," they still omit specific threats of Communist counteraction. This line was followed in the treatment of the arrival of US marines at Da Nang, which Peiping condemned as a further step by the US to widen the war and as representing the entry of the US as an "open belligerent."

A Peiping People's Daily editorial of 9 March, hailing the recent visit of Pakistani President Ayub, implied that he had concurred in the Chinese charge that the US is trying to "extend its aggressive venture and thereby retrieve defeat." Actually the joint communiqué signed at the conclusion of his visit omitted mention of Vietnam.

Soviet Reaction

Moscow in another government statement again warned of the far-reaching consequences for Soviet-US relations if the US continued its "planned aggression" against North Vietnam.

The statement, which protested the 2 March US air action against the DRV, asserted that US policymakers are "deeply mistaken" if they think they will "frighten anyone by their bombings of DRV territory."

A number of low-ranking Soviet officials [redacted]

[redacted] have stressed to West-

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ern representatives the dilemma which now confronts the Soviet Union. They have argued that Moscow is under heavy pressure to assist the DRV with military equipment, but have also expressed the hope that such aid will not jeopardize relations with the US.

These sources have emphasized Soviet frustrations with the Vietnam crisis and attempted to place most of the blame on the Chinese Communists. One Soviet official claimed that the 4 March demonstration against the US Embassy took place against the wishes of the Soviet Government and caused it "acute embarrassment." He intimated that the demonstration was whipped up by Chinese students and accurately predicted that Peiping would exploit the affair for its own advantage (see next article).

Bloc Military Action

No North Vietnamese troop deployments have been detected within the past week, although naval units were alerted on 9 March apparently in anticipation of another air strike. No Chinese Communist military deployments directly related to Vietnam have been detected.

There is as yet no firm evidence that bloc military equipment has arrived in the DRV since the US air strikes began. [redacted]

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The Communist World

MOSCOW MEETING SIDESTEPS SINO-SOVIET RIFT

The communiqué following last week's "consultative meeting" of 19 Communist parties in Moscow reflects the inconclusive results of this session. The conditions proposed for steps leading to a new conference make any such meeting highly unlikely in the foreseeable future.

Despite this setback on the conference issue, Moscow can gain some satisfaction from the communiqué's call for a cessation of "unfriendly and degrading" polemics and its opposition to the "interference by any party in the internal affairs of other parties."

The communiqué proposes that the 81 parties which attended the 1960 conference hold a "preliminary consultative conference" to discuss a new world meeting. No dates are suggested, however, and the proviso that "all fraternal parties" participate in preparations in effect gives the Chinese Communists a veto.

The treatment given the renewed conference proposal is an attempt to cover up what is actually a Soviet retreat in the face of opposition from several key parties. In view of Moscow's past support of conference proposals, however, and the vitriolic denunciation generally given them by Peiping, the Russian leaders can hardly be expected to refrain from all further talk and agitation on this issue.

In a further reflection of Moscow's effort to avoid controversy, the communiqué avoids any treatment of substantive issues, thereby denying Peiping ammunition for its propaganda machine.

The statement concludes rather caustically with the hope that "all fraternal parties will respond favorably to this consultative meeting."

Peiping's press has not mentioned the Moscow meeting, but People's Daily chose the day the communiqué was published to reprint a blistering anti-Soviet attack from the Japanese Communist paper Akahata which charged that "modern revisionist support for Johnson is an open act of betrayal of the principles of Marxism-Leninism."

The Chinese have also added a formal protest to their initial propaganda alleging Soviet police brutality in putting down last week's student demonstration against the US Embassy in Moscow.

On 6 March the Chinese staged an unprecedented demonstration against the Soviet Embassy in Peiping. Several hundred Chinese and foreign students protested the actions of the Moscow police, but apparently contented themselves with shouting slogans.

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The Communist World

MOSCOW APPEARS RELUCTANT TO RESUME GENEVA DISARMAMENT TALKS

Moscow has not yet officially responded to the US proposal to resume the Geneva disarmament talks this month or early in April. However, Soviet officials have been privately taking the line that the Vietnam crisis has created new obstacles to reconvening the 18-nation conference.

cial that the "present situation" in Vietnam was "not propitious" for disarmament talks. He noted that "many people in Moscow" wonder how such talks can take place when "one side" works for relaxation of tensions and arms limitations with one hand and contributes to tensions and the danger of war with the other hand.

Soviet leaders may fear that Peiping would use a resumption of the disarmament talks to castigate Moscow for "softness" in sitting down with the US at a time when the US is allegedly committing "aggression" against a member of the "socialist camp."

Last month a Soviet UN delegate told a US offi-

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The Communist World

SOVIETS REORGANIZE DEFENSE INDUSTRIES AND AGRICULTURE

The USSR has restored the ministerial form of organization for its defense industries and expanded the powers of the central Ministry of Agriculture. These decisions probably are part of a reorganization of the economic system that has been warmly debated since the ouster of Khrushchev. The need for reorganization has been explicitly recognized by both Brezhnev and Kosygin. The fact that decisions affecting at least two major parts of the economy now have been made could indicate that a policy stalemate in the top leadership has been broken, but it is too early to be certain that all differences have been fully resolved.

The major defense industries--aviation, shipbuilding, defense (largely ground armaments), radio, electronics, and medium machine building (military uses of atomic energy)--have been returned to ministerial direction at the Moscow level. Under Khrushchev's system of state committees instituted in the late 1950s, the responsibilities for plant management and control of supplies in most branches of industry were vested in the regional economic councils, with the role of state committees in Moscow limited to research, development, and education in their respective spheres. It is true that even under Khrushchev's system defense industries were gen-

erally exempt from decentralized control--control being retained in Moscow by state committees. But the new ministries will probably effect a tightening of direct central authority over the industries involved.

A new ministry of general machine building has also been created with unspecified functions. Its head, S. A. Afanasyev, was previously the chairman of the economic council of the RSFSR. A ministry with this name existed from 1955 to 1957, when it was incorporated in the state committee for defense technology. Among the various possibilities for the production responsibility of the new ministry are munitions and solid propellants or missile production.

The return of the defense industries to the ministerial system does not appear of itself to foreshadow an increase in the influence of the military establishment. Neither does it necessarily foreshadow similar changes in all branches of industry. Other decisions by the new regime suggest increased local direction of consumer-oriented industries and the question of just where to draw the line may still be under debate.

In a concomitant administrative reorganization, the USSR Ministry of Agriculture has been strengthened by subordinating the republic agricultural ministries

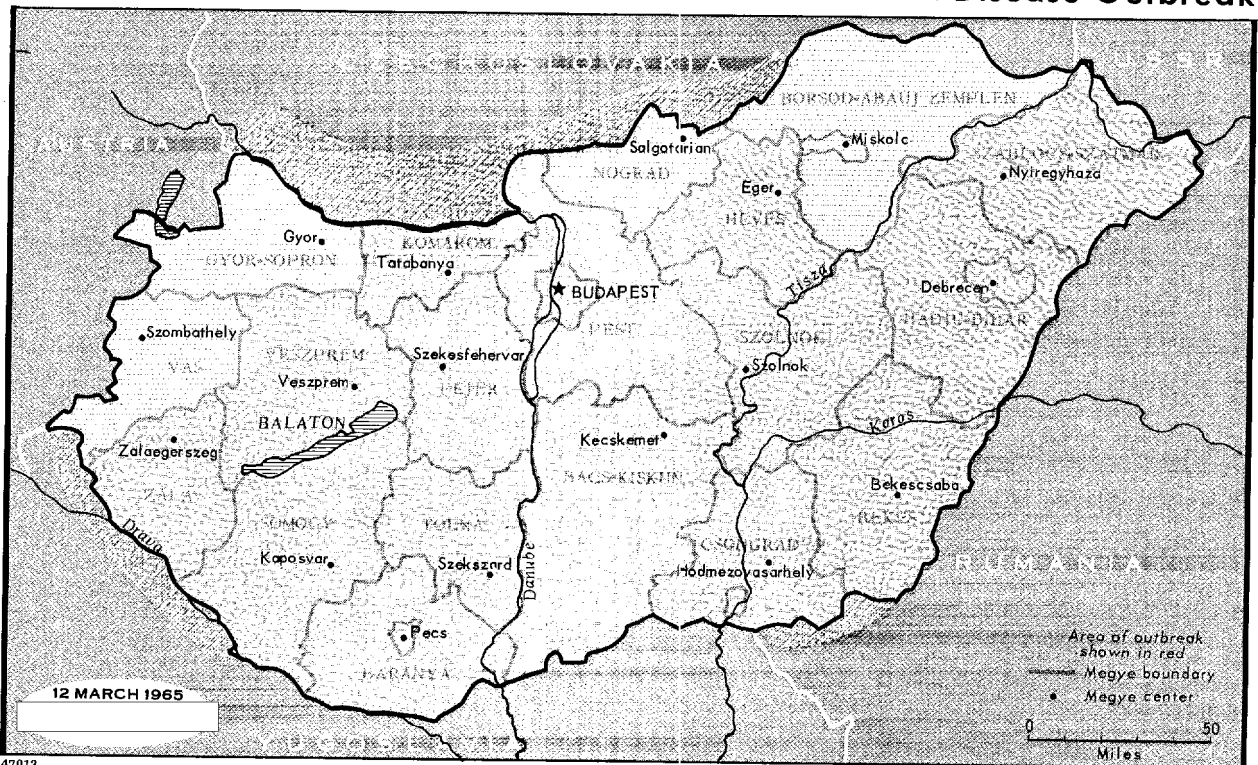
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HUNGARY ^{and adjacent border areas} Extent of Hoof-and-Mouth Disease Outbreak



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to it as well as to their re-public Councils of Ministers. This action will probably restore the responsibilities of management and over-all control of agriculture to the central ministry, which in recent years has been charged only with research, extension work, and agricultural education. Such

an increase in the central ministry's powers was indicated by the reappointment on 18 February of Vladimir Matskevich to the post of minister. When he held this post from 1955 to 1960, Matskevich was known to be a proponent of strong central control over the agricultural sector.

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HOOF-AND-MOUTH DISEASE SPREADS IN CENTRAL EUROPE

An outbreak of hoof-and-mouth disease (aphthous fever) in Central Europe has reached epidemic proportions in Hungary. The Hungarians reportedly have no effective vaccine for this strain of the disease, which threatens to cause significant losses to the livestock industry.

Quarantine measures have already interfered with the regular procurement and distribution of livestock products. An upward trend in livestock numbers, which began in 1964, is being restricted and may be reversed.

While the disease is considered endemic to Hungary, the current outbreak is by far the most serious in years. At least 15 of the 19 counties are currently affected. The Hungarians, however, have failed to report the disease, which has been spreading through the country since last fall, and left it to the Czechoslovak Government

to make the first announcement of the closing of the Czech-Hungarian border to tourist travel.

The Czechoslovaks have described the outbreak in southern Slovakia, which started in January, as the most serious epidemic of the past decade.

Isolated outbreaks have recently occurred also in several areas of Bohemia, in East Germany, and in Rumania on the Hungarian border. There have been several occurrences in Yugoslavia since last fall, in the interior of the country as well as along the Hungarian border. Yugoslavs believe infection was brought in from Italy, Hungary, or Czechoslovakia by travelers and wildlife.

Apart from the economic effects of the disease, quarantine restrictions have seriously limited movement in infected areas.

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ULBRICHT'S HEALTH LIMITS HIS ACTIVITIES

Age and failing health have apparently begun to take their toll of East German party leader Walter Ulbricht. The 71-year-old first secretary and state council chairman failed to attend the annual Leipzig Trade Fair as announced, despite the presence at the exhibition of a high-level Soviet delegation. On past visits to the fair, Ulbricht has toured all of the exhibits and talked with other visitors. Such a routine might have proved too taxing for Ulbricht, who has been observed to tire during recent public appearances. Arrangements subsequently were made for the Soviet delegation to confer with Ulbricht in East Berlin on 9 March.

Apart from the infirmities of age, the nature of Ulbricht's ailment is uncertain. In recent years he has been absent from his duties more frequently and for longer periods of time. In June 1964, he was accompanied on a 14-day tour of the USSR by one of East Germany's foremost respiratory and cancer specialists.

If the first secretary should be disabled or forced

to follow a more restricted regimen, politburo member and party security chief Erich Honecker probably will assume additional party duties for him. Honecker has been second to Ulbricht in the party leadership for two years. Recently he has begun to play a role in government affairs as well, at the expense of Premier Willi Stoph, who has been ill.

Stoph, long considered a force in the East German regime, assumed the premiership following the death of Otto Grotewohl in September 1964. His influence seems to have begun to wane almost immediately. As far as can be determined, Stoph played no role in the last two plenary meetings of the East German party central committee or the Volkskammer, the national legislature. In January, Neues Deutschland published a photograph of Stoph and other delegates to the Volkskammer on its front page but failed to identify the premier.

Honecker appears to be the most likely--though by no means the only--candidate to succeed Ulbricht as first secretary. It is unlikely, however, that any successor will inherit the power exercised by Ulbricht. At least initially, power will probably pass to a Soviet-style collective leadership made up of several politburo members, in which Honecker may be pre-eminent.

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The Communist World

COMMUNIST CHINA'S FOREIGN TRADE

China's foreign trade may well increase moderately again this year thanks to its burgeoning free world trade. Peiping's trade, which has edged up steadily after bottoming-out in 1962, reached about \$3 billion last year--roughly the same amount of foreign trade as Norway. This figure, however, is still well below the "leap forward" high of \$4.2 billion recorded in 1959.

Chinese Communist trade with the free world reached about \$1.9 billion last year, over 60 percent of the total, and could account for an even larger share this year. Peiping is pushing its exports--textiles, manufactured goods, and foodstuffs--to pay for increasing imports of industrial equipment, grain, and fertilizer. Purchases of grain last year accounted for about 45 percent of Peiping's \$975 million worth of imports from the free world. Fertilizer imports accounted for over 5 percent, while industrial equipment totaled less than 15 percent.

Since mid-1963, Peiping is known to have purchased about \$120 million worth of free world industrial plants for construction in China over the next few years. Work will begin this year on a number of plants, in-

cluding a Dutch fertilizer plant and an associated British synthetic ammonia installation, a Japanese synthetic fiber plant, and a West German petroleum refinery. An Italian refinery and a British plastics plant may also be started.

China already has ordered 25X1 about 2.6 million tons of grain, worth about \$170 million, for delivery this year.

Total purchases may match or exceed last year's \$440 million worth of Western grain.

In addition to the grain 25X1 deals, fertilizer purchases may reach a record \$100 million this year.

This expanding commerce with the free world is expected to be partially offset by China's sagging trade with Communist countries. The heavy export surplus which enabled China to pay off its major debts to the USSR will no longer be necessary,

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and the Soviets have already begun placing small orders in the West for some goods formerly delivered by China. Sino-Soviet trade, which totaled less than \$500 million last year, is expected to drop further in 1965. Press reports suggest, however, that more trade is planned with Eastern Europe and Cuba.

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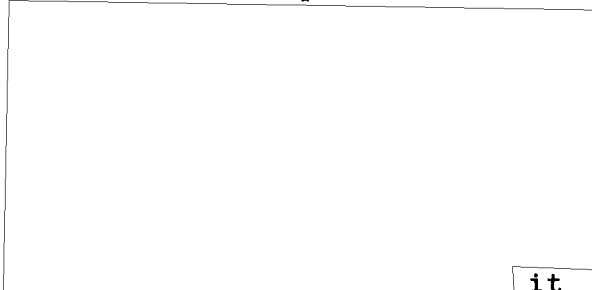
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INDONESIAN COMMUNISTS MOVE TOWARD MILITARY CAPABILITY

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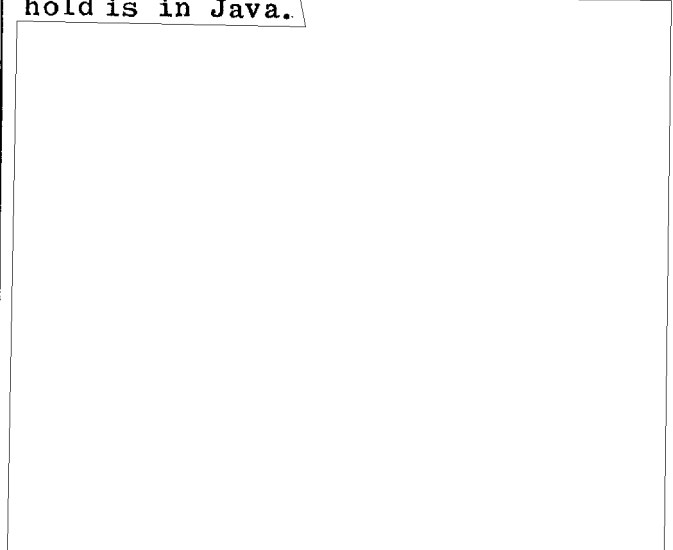
The Indonesian Communist Party (PKI), which is steadily increasing its political influence, appears also to be making progress toward developing a military potential. The party already has considerable capability for disruptive mass action, but heretofore has been unable to obtain enough arms or training to permit it to exert direct military pressure.

In response to repeated Communist demands since mid-January, Sukarno now has ordered the top commander in Sumatra to arm workers and peasants there.



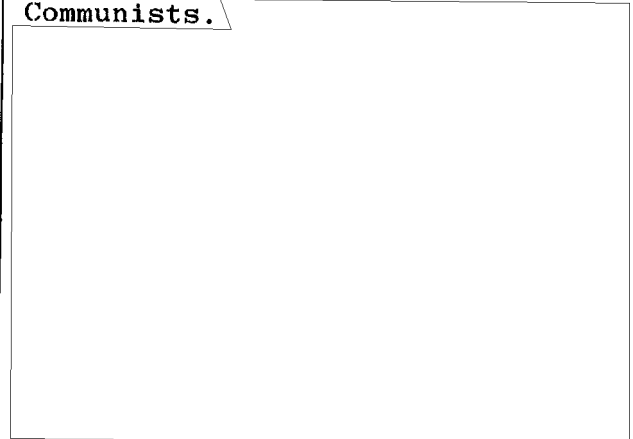
it seems inevitable that the force will soon include Communists either through infiltration or through Communist political pressure for a "representative" force. The arming of "workers and peasants" in any number anywhere in Indonesia establishes a precedent which the Communists will use to justify the extension of the program.

The Communists' main stronghold is in Java.



University students are being given limited military instruction, and most of their units are presumed to include Communists.

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Asia-Africa

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The PKI presumably hopes ultimately either to neutralize the armed forces through infiltration or to develop an effective military arm of its own.

Despite the pro-Communist trend in Indonesia, the party still seems apprehensive that eventually it may have to resort to force either to defend itself or to make a final bid for power. In the meantime, even the limited capabilities likely to grow out of the present training programs should assist Communist front groups in their mass action activities, and the total training effort will further Communist infiltration throughout Indonesian government and society.

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OUTCOME OF KERALA STATE ELECTION IN INDIA

The election on 4 March in India's Kerala state failed to give any party enough votes to form a government. The state, will probably continue to be ruled directly from New Delhi for at least the next few months, and probably until the 1967 general elections.

The official Congress Party, with 36 of 67 seats necessary for a majority in the state legislature, is now attempting to organize a coalition. In the unlikely event that such a coalition is formed, it will be very unstable. There is also a slim chance that new elections will be called.

Although the Peiping-oriented Communists won 40 seats--the largest number of any party--the over-all Communist showing in terms of seats was not substantially better than in the most recent election of 1960 and was inferior to the 1957 election when the Communists--then united--secured power. This year, the pro-Moscow Communists won only three seats, which will severely limit their influence in the state and will also damage the pro-Moscow party's national standing. In terms of the percentage of votes cast, the two Communist parties together fared worse than in any previous Kerala election.

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Asia-Africa

RIFT AMONG AFRICAN STATES OVER CONGO ISSUE DEEPENS

African moderates and radicals fought each other to a stand-off over the Congo at the Organization of African Unity foreign ministers' meeting in Nairobi which ended on 9 March. Although both sides are claiming a victory, the OAU itself has clearly been weakened by the participants' inability even to paper over the deep rift.

Five days of acrimonious wrangling in closed sessions resulted in no new Congo resolution at all. Instead, the ministers bucked the problem to the African heads of state, who are not scheduled to meet until September in Accra. However, some African diplomats in Nairobi expect an extraordinary summit conference to be convened much sooner.

The forces spearheaded by French-speaking West African moderates, which favored a clear-cut endorsement of the Leopoldville government were evidently in the majority at Nairobi. Nevertheless, they again failed by one vote--as they had last September in Addis Ababa--to push through a resolution authorizing African support, including troops, for Tshombé. This time three moderate states were absent from the final crucial session. A compromise resolution sponsored by Ethiopia and Tunisia, which would merely have continued the OAU's special 10-member Congo commission, fell three votes short.

In view of the latter vote, the commission seems unlikely

to be convened again until a new mandate is obtained, especially as its chairman, Kenyan President Kenyatta, has been weary of his role for some time. Ethiopian officials connected with the commission have said it has no further mission at this time, and on 10 March Tshombé said it "no longer exists." However, Kenya's foreign minister has stated that the commission will continue unchanged.

The radicals' main positive thrust was an unsuccessful effort early in the Congo debate to admit spokesmen for the Congolese rebels to the conference. Otherwise, this group of nine strongly anti-Tshombé countries--Algeria, Egypt, Mali, Guinea, Ghana, Sudan, Congo (Brazzaville), Uganda, and Tanzania--concentrated on vilifying Tshombé and sometimes the US and on blocking the moderates.

Meanwhile, leaders of several feuding rebel factions have recently been assembling in Cairo, presumably in response to efforts of their radical backers--especially Egypt, Ghana, and Algeria--to prod them into some sort of united front.

In the Congo, the government's military position continues to improve.

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Asia-Africa

FOOD AND MONEY PROBLEMS DIVIDE REGIME IN MALI

A showdown may be shaping up between moderate elements in the Malian regime and radical leftist supporters of President Keita. The focus of the problem is rising popular discontent over food shortages, together with the need for new foreign economic support to keep the government going.

Shortages of basic foods appear to be widespread, despite government efforts to assure supplies. French and American officials who have visited outlying areas have been told that government representatives have recently traveled great distances attempting to find millet and rice for Bamako and other urban centers. These agents are said to have been generally unsuccessful unless they were willing to pay black market prices. In Bamako, there are rumors that rationing may be instituted. Keita recently acknowledged publicly that the state trading organizations were partially at fault, but he said that most of the shortages were due to "sabotage" by private traders.

In addition to its food supply problem, the Malian Government is near bankruptcy. On 22 February, it opened wide-ranging negotiations with France, dealing with Mali's foreign debts, its shaky currency, and its financial requirements. Paris reportedly is laying down stiff terms, including reform of Mali's state enterprises, as conditions for further aid.

Meanwhile, Bamako apparently is looking elsewhere--notably toward Peiping--for offers with which to counter French pressures.

Since mid-January, there has been [redacted]

[redacted] dissension within the party politburo, involving both clashes between personalities and substantive disputes. A relatively moderate faction, including Minister of State Kone, party political secretary Diarra, Interior Minister Bocoum, and National Assembly President Haidara now appears to be advocating changes in Mali's policy. They are personally vulnerable, however, since Kone has long been considered a French favorite, while Bocoum and Haidara are closely associated with the old elites of their respective home bailiwicks. Moreover, Bocoum is believed to be personally involved in black marketing and smuggling.

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Pro-Chinese leftists in the cabinet, who have few ties to traditional Malian society, are emerging as Keita's chief allies in the present maneuvering. The eventual outcome of the conflicting pressures is not yet discernible. However, it appears possible that further anti-US outbursts, such as press attacks or the carefully controlled demonstration at the US Embassy on 8 March, will occur as by-products of the internal struggle.

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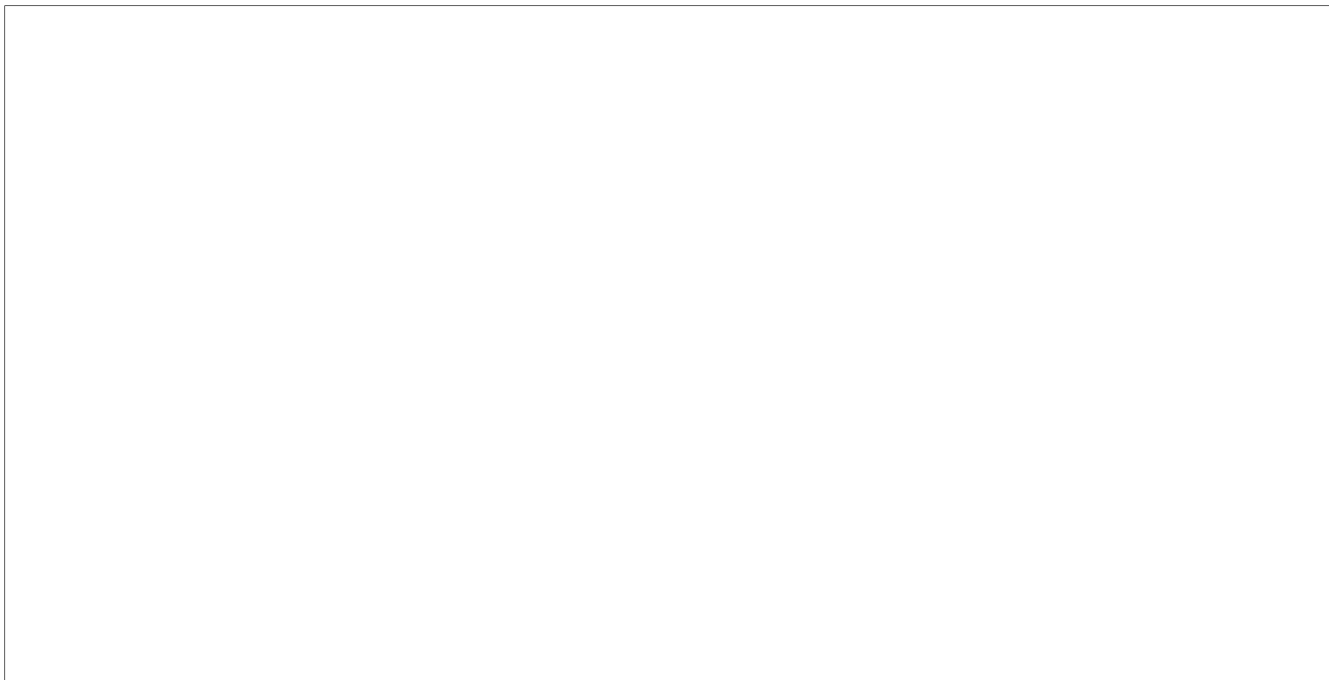
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Europe

**AUSTRIAN PRESIDENTIAL ELECTION MAY STRAIN COALITION**

The campaign for election of a successor to President Schaerf on 23 May may be marked by an upsurge of political hard feeling. Although Austria's two major political parties--Schaerf's Socialists and the Catholic People's Party of Chancellor Klaus--are partners in the coalition government that has ruled Austria for twenty years, animosity between them has increased since the end of the Allied occupation in 1955.

The People's Party on 9 March nominated former Chancellor Alfons Gorbach as its candidate. The 66-year-old Gorbach is well known throughout Austria and has support in the provinces although he appears weak in Vienna.

The Socialist Party seems inclined to nominate Vienna Mayor Franz Jonas. Jonas, 65, has been an active Socialist leader for more than 40 years and was twice arrested as a member of his party's underground when it was outlawed during the 1930s.

The Socialists have held the presidency and the People's Party has dominated the chancellorship since 1945, and the Socialist Party is again favored to capture the presidency. The partisan campaigning which accompanied the last presidential election in 1963 was heated and put considerable strain on the coalition.

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Europe

NATO INFRASTRUCTURE NEGOTIATIONS

Discussions in the North Atlantic Council next week of a proposal by the US to reduce its payments to the NATO infrastructure program may produce a sharp exchange if not a deadlock. Preliminary soundings have produced a negative reaction, and members have said flatly that "under no circumstances" will they accept "unilateral dictation" of what the US share should be.

Since its adoption by NATO in 1951, the infrastructure program has spent about \$3 billion on the construction of over 160 jet-capable airfields; a communications network of thousands of miles of cable, radio links, and land lines; and almost 5,600 miles of pipeline and mammoth fuel storage facilities. These installations constitute an enormous capital investment in the host countries, and a considerable part of total expenditures have gone to European firms for construction. Under the annual cost-sharing agreements which have financed the program, however, the US contributed almost 44 percent of the costs until 1957 and at present it is paying almost a third. The US share in utilization of the infrastructure facilities is only on the order of one fifth. Because of the imbalance between contributions and utilization and Europe's growing prosperity, the US now is asking that its contribution be reduced in 1965

to 25 percent, and thereafter to 20 percent.

The only suggestion for avoiding a clash made so far is a Canadian proposal to integrate infrastructure programing with the work of the NATO Force Planning Exercise (NFPE). The NFPE staff is expected to be seriously overburdened with its primary problems until some time in 1966, however, and in the opinion of the US ambassador to NATO could not handle the additional burdens of infrastructure screening and cost negotiations.

Until this cost-sharing dispute is settled the current annual infrastructure program cannot get under way and no contracts can be let. The 1965 construction season is almost beginning. Many national construction and spending programs, geared to annual infrastructure projects, stand to be hard hit if a lag develops in what was formerly an orderly process. In addition to these economic consequences and the ultimate effect on NATO's military strength, lack of agreement on infrastructure cost-sharing could have important political implications. The program has been frequently held up as a model of effective Alliance "integration." A donnybrook now probably would be interpreted widely as signifying a further weakening in the fabric of the Alliance.

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Europe

EXECUTIVES OF THE THREE EUROPEAN COMMUNITIES MERGED

The agreement to merge the executives of the three European communities reached at last week's EEC Council meeting will contribute to efficiency by eliminating the overlapping jurisdictions of the EEC and EURATOM commissions and the Coal-Steel Community's High Authority. Officials in all the EEC capitals are also stressing the political and psychological significance of the move in furthering integration. According to a French Foreign Ministry official, the recent progress on a common agricultural policy followed now by the fusion agreement may be more important in the long run to Europe's unity than "premature" discussions on a political organization as such.

Nevertheless, the merger agreement is more an important first step than a definitive reorganization. Although it will establish Brussels more firmly as the community's administrative center, it leaves open the long-standing issue of creating a single "capital," for Luxembourg will retain several important offices and Strasbourg will remain the seat of the European Parliament. Moreover, if any political organization emerges, Paris is expected to lay vigorous claim to its seat.

Major problems are also expected to arise in conjunction with the merger of the three existing treaties, for which the executive fusion has set the stage. Although fusion almost certainly means a de facto strengthening of the new com-

mission vis-a-vis the EEC Council, the essential question remains the extent to which supranational features of the Coal-Steel and EURATOM treaties will be retained in a single community largely reflecting the EEC. In addition, an increase of the powers of the European Parliament will be at issue, and several states may side with France in its desire to water down the majority voting provisions due to come into effect in 1966.

The council's mandate calling for "exploratory negotiations" on EEC-Austrian ties is an important step in the evolution of the Six's foreign policy, but the negotiations themselves could drag on for two years or more because of the complex political, economic, and institutional issues involved. These include the questions of Austria's continued membership in EFTA and the extent of EEC involvement to which Vienna could commit itself without violating its neutrality. Austria's EFTA partners have shown in the past their sensitivity to the consequences of an Austrian-EEC agreement, and the Soviet Union still maintains its strong opposition to any such deal. On the EEC side, procedural problems involving the rights of member countries and the European Parliament are at stake, as well as the over-all political issue of framing a common policy on association arrangements.

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Europe

TEMPORARY TRUCE AMONG ITALIAN COALITION PARTIES

The undeclared cabinet crisis which had immobilized the Italian Government since the December presidential election has finally been resolved, and Premier Moro is expected to obtain a parliamentary vote of confidence shortly. The urgent need for antirecession measures and the lack of a viable democratic alternative to the present center-left coalition forced the government parties into an accommodation which is little more than a modus vivendi. It will be extremely difficult to avoid a new crisis in coming months because the Christian Democrats are still badly split on basic party policies, and no coalition consensus has been reached on several important differences.

encouraged the coalition to reach agreement on corrective measures, and prompt implementation is expected. The antirecession program features expanded public works and housing construction, with special incentives aimed at increasing industrial production and exports. Despite readily available funds for public construction projects, action has been hampered by antiquated, time-consuming, bureaucratic procedures, reform of which is a major plank of the center-left program. Presumably the government intends to cut through this red tape.

Ex-Premier Amintore Fanfani's appointment as foreign minister should temporarily neutralize a dangerous critic of the Moro government. Fanfani holds Moro largely responsible for his ouster from the premiership after the April 1963 national elections, however, and he has never ceased striving to regain the post.

The most dynamic man in the cabinet, Fanfani will be a forceful foreign minister. Although it seems unlikely that he would want to engineer any important shift in major Italian foreign policies, he will probably clash with Moro and President Saragat over tactics. He may eventually be tempted to undertake foreign policy initiatives as a way to disrupt the delicate domestic political balance to his personal advantage.

Rising unemployment, resulting from lagging activity in key economic sectors, has increased labor unrest. Fear that recessionary pressures might spread

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RECENT ACTIVITIES OF LATIN AMERICAN COMMUNISTS

Latin American Communist leaders appear to be trying to implement measures agreed upon at a highly secret meeting in Havana last November. The main purposes of that conference seem to have been to seek greater coordination and unity among the Communist parties in Latin America, to give new impetus to Communist activity in the hemisphere, and to promote "solidarity with Cuba."

The traditional fractionalization among the Latin American Communists has become increasingly evident in the past few years as a new generation of Communist activists--inspired by the Cuban model and influenced by what they believe to be Peiping's strategy of "armed revolution"--has begun to challenge the old-guard, pro-Moscow leadership in a number of parties. The Communists at the Havana meeting apparently decided to try to mollify their young activist challengers by agreeing to support, in certain instances, more revolutionary tactics, which they hope will draw the militants back to the orthodox party fold.

This may have been behind the Guatemalan Communist Party's (PGT) recent marked change in policy. The PGT appears to have dropped its peaceful revolutionary efforts and opted for "hard line" tactics in opposing the Peralta government.

The Uruguayan Communists have taken action very much in line with the recommendations of the Havana conference by beginning preparations for a Latin American "solidarity with Cuba" congress to be convened in Montevideo. The congress was first scheduled for early April, but recent reports indicate it will be postponed at least until June. If held, this will be the first such hemisphere-wide congress since the March 1963 meeting in Niteroi, Brazil.

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Western Hemisphere

UNREST IN HONDURAS

Political and military unrest is mounting in Honduras as the 16 March convening date for the constituent assembly approaches. The government seems intent on rapid action by the assembly naming the present chief of government, Colonel Oswaldo Lopez, "constitutional president" for a regular six-year term.

The Liberals, smoldering over the blatant rigging of the 16 February election, are split on whether to send their 29 elected representatives to the 64-man assembly. The group in favor of participation argues that only in this way can the party have any voice in the government and prepare for its eventual legal return to power. Other Liberal leaders, who are apparently in the majority, argue that this course of action would simply legitimize the government's election farce. The latter group, which has important support among the strong labor unions in the north coast area, is inclined toward trying to bring the government down by force.

The explosiveness of the political situation is heightened by growing unrest among the military, where resentment has long been rising over the influence the civilian Ricardo

Zuniga exerts over Colonel Lopez. The most recent demonstration of Zuniga's power took place last week when he engineered the dismissal of the chief of the air force, Colonel Armando Escalon, along with a number of Escalon's ranking subordinates. Escalon is regarded sympathetically by certain Liberal leaders. Although he himself believes the military should stay out of politics, he might find himself impelled into an alliance with other officers and Liberals against the regime.

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Although Honduran security forces will be able to control the situation in the cities, past experience indicates that they will find it difficult to cope with disorders in the outlying areas.

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Western Hemisphere

CHRISTIAN DEMOCRATS SWEEP CONGRESSIONAL ELECTIONS IN CHILE

Chilean President Eduardo Frei's Christian Democrats (PDC) rolled up a majority much larger than even its leaders expected in the 147-member Chamber of Deputies in the congressional elections on 7 March. With 43 percent of the popular vote, the PDC exceeded the next three parties combined and elected 82 deputies, the largest single party block since 1841. It became the biggest party in the Senate also, although it is still a minority there since only 21 of the 45 seats in the upper house were in contention.

The far-left Communist-Socialist FRAP coalition gained a deputy and three senators, although its vote percentage fell to 26.5. Big losers were the three traditional parties--Radicals, Liberals, and Conservatives--which collectively fell from 53 percent in the last congressional contest to only 26.7. The Conservative Party, reduced to 3 deputies, has been so weakened as to foreshadow demise, while the Liberals dropped 22 deputies and 3 senators. The centrist Radicals, losing 3 senators and 18 deputies, ran a feeble second behind the PDC, a position which they will also hold in the legislature.

The election confirms the leftward swing of Chilean politics, now more or less polarized between Marxist and non-Marxist left. Frei now has sufficient strength to carry his reform program into law once the new Congress convenes 21 May. Potential obstacles which he may

encounter, however, include possible factionalism within his own party, political incompetence of many of the inexperienced new PDC legislators, and a tendency toward haste and poor drafting in submitting bills for consideration.

The results in no wise indicate the arrival of a millennium in Chile. The non-Communists have won, but the anti-Communists have been beaten and the FRAP has strengthened itself in Congress. FRAP's performance indicates that it remains a major force in Chilean politics and, with the support it may receive from newly opened bloc legations in Santiago, can be expected to continue unabated its efforts to gain power. The relative strength shown by FRAP and the poor performance of the Radicals could lead the latter eventually to reach an agreement with FRAP for a new "popular front" such as that which they shared from 1938 to 1948, possibly to oppose the soaring PDC for the presidency in 1970.

The PDC's new mandate may serve to strengthen its tendency toward economic nationalism at home and toward an "independent, third world" orientation in its foreign economic policy--although in his victory statement Frei cited the confidence which foreign investors allegedly have in Chile as an example which Chilean industrialists should emulate.

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